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ENHANCING INTERNATIONAL COOPERATION FOR DEVELOPMENT: THE ROLE OF THE UNITED NATIONS

OPERATIONAL ACTIVITIES FOR DEVELOPMENT

Letter dated 22 June 1992 from the Permanent Representatives of Denmark, Finland, Norway and Sweden to the United Nations addressed to the Secretary-General

On behalf of the Nordic countries Denmark, Finland, Norway and Sweden, we have the honour to present herewith a joint Nordic memorandum on reform of United Nations governance and finance.

We should be grateful if you would arrange to have this letter, with the attached text, circulated as an official document of the Economic and Social Council at its substantive session of 1992, under item 2 of the high-level segment and item 4 (Operational activities for development segment) of its provisional agenda.

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Annex

Nordic memorandum on reform of United Nations governance and finance

1. THE CASE FOR REFORM

1.1. The role of the United Nations in development

The new world that is now being shaped may open up the possibility of a more creative and forward-looking role for the United Nations, with its activities in the security and development field being mutually supportive.

The challenge for the organizations of the United Nations system is to play a leading role in supporting national Governments in their efforts to master increasingly complex issues in an interdependent world. The United Nations should be in a unique position to formulate policies that will not only facilitate economic growth but also take into consideration social and human development, cultural dimensions and environmental aspects.

The work of the United Nations will be relevant only if its performance is of high quality. Reviews of the field performance of United Nations agencies have shown that Governments make use of the United Nations system for advice on vital policy and development issues only to a limited degree. The United Nations Development Programme (UNDP) has not been able to fully utilize its network capacity and potential ability to address policy issues.

Improved governance and improved financing are important elements in the ongoing reform process that should lead to increased importance and effectiveness of United Nations operational activities.

1.2. The need for systemic reforms

The thrust of the work of the Nordic United Nations project reflects an ambition to better translate principles of rights and obligations into rules and norms to promote a stronger sense of partnership among Member States.

The final report of the Nordic United Nations project, presented last year, particularly points out how closely the issues of governance and finance are intertwined. Indeed, the inherent difficulties of the United Nations financing system can be interpreted as reflecting underlying governance problems.

The Charter of the United Nations did not foresee an operational role for the United Nations in the economic and social fields, and it provides little guidance on distribution of powers and responsibilities.

Overlapping and duplication of work, limited responsiveness as well as lack of transparency and accountability have prevented the system from acquiring sufficient financing or the "critical mass" necessary to play a leading role in international development issues, thus realizing the full potential of its comparative advantages.

It has become increasingly difficult for Member States to get an overview of the diverse development activities now taking place in the various United Nations institutions or to meaningfully deal with them.

An important objective ahead will be to optimize the impact of the multilateral system as a whole. In an increasingly interdependent world, more and more issues need to be resolved within the framework of multilateral cooperation. This requires a stronger and more efficient United Nations. It also emphasizes the need to improve the funding system.

2. IMPROVED GOVERNANCE STRUCTURES

2.1. Weaknesses in the present system of governance

Basically, the system of governance, leadership and funding needed for the political "meeting place" function is distinctly different from that needed for the operative or "executive" function. This has important implications for the design of United Nations activities. It is considered important that the respective roles and tasks of different organizations and bodies within the system be better defined to complement each other and to form a coherent whole.

The governance of United Nations development activities at the highest level is fragmented. At present governance functions are delegated to an array of councils and boards that deal separately with each organization. There is need for a body to give effective high-level guidance and cohesion to the executive organs of the United Nations operational activities.

At the same time there is need for a body for each programme and fund to provide operational guidance to the Organization.

The sessions of many governing bodies have become huge gatherings simultaneously dealing with a wide spectrum of matters at different levels of governance, from overall political issues to micro-management. New, small, governing bodies that would meet more frequently, are needed to improve the effectiveness and efficiency of the system.

2.2. An improved governance structure

Governance reform objectives

The governance reform proposal of the Nordic United Nations project advocates inter alia a division of responsibility under the General Assembly at two different levels.

Key objectives and considerations in the design of a new governance structure should be the following:

(a) To increase the importance and impact of United Nations intergovernmental bodies in the international policy-dialogue on development issues;

(b) To improve the impact of United Nations development cooperation through effective policy-making and priority-setting regarding operational activities for development;

(c) To increase the responsiveness of United Nations funds and programmes to governing body decisions, through greater transparency and accountability in the interface between governance and management;

(d) To ensure that principles of universality and representation are combined with good and effective governance.

Policy guidance and priority-setting: the functions of an International Development Council

In order to fulfil the above objectives and considerations there is a need to assign to a single body the task of high level discussion on development issues and the provision of policy guidance to the United Nations system in its development activities. These functions regarding operational development activities are distinct from other issues tackled in the economic and social sectors of the United Nations.

For the sake of illustration the Nordic countries have defined these functions as functions of an International Development Council (IDC). The intention is not to propose establishment of a new body, but to underline that these are a set of functions that belong together and should be designated as a responsibility to some existing body.

The concrete IDC functions could be broken down as follows:

(a) To establish overall objectives and operational strategies for key areas in international development cooperation;

(b) To discuss the mandates, powers, structures and the division of labour of United Nations intergovernmental and executive bodies in order to avoid any gaps or duplications;

(c) To give policy guidance to the United Nations operational activities including the distribution of tasks among the various actors and coordination within the system;

(d) To review and discuss the reports on the work of funds and programmes.

While several options for integrating the IDC functions into present United Nations structure exist, they should preferably be delegated to one of the existing bodies, as the creation of new bodies should be avoided.

The options for integrating the IDC functions into the present structure include the following:

(a) The Economic and Social Council as at present (it should, however, be noted that the Council has a limited membership);

(b) Merging of the Second and Third Committees of the General Assembly;

(c) The Council to be strengthened and enlarged to become a universal body being in session in parallel with the General Assembly; the Second and Third Committees of the General Assembly to be abolished.

The guiding principle in any option should be to establish a clear division of roles and mandates between the General Assembly and the Council in order to avoid the present overlapping and duplication of work between these two governance layers.

Operational governance: small executive bodies

The establishment of a small executive body for each of the United Nations funds and programmes would be an integral element in the new governance structure, with the key function of providing a link between the member States and the management of each organization. These bodies would primarily exercise operational governance, which includes:

(a) Monitoring the performance of the funds and programmes;

(b) Assuming that the mandates, policies, priorities and strategies set by higher-level governing bodies are carried out, and in a transparent manner;

(c) Deciding on plans and budgets;

(d) Encouraging and examining new programme initiatives.

The mode of work and the composition of the small executive bodies should reflect the United Nations basic character of a joint and shared undertaking between the economically more developed countries and the developing countries. The principles of composition should strike a balance between representation and efficiency, with the following considerations:

(a) The size would be limited to 15-20 members;

(b) Members would represent groups of member States in the form of constituencies, taking into account i.e. regional balance between developed and developing countries, with the possibility of a representation of 50 per cent from recipient countries and 50 per cent from donor countries;

(c) Members would be chosen within each constituency;

(d) Size of contributions to United Nations operational activities for development would be taken into account in the composition of constituencies among donor countries;

(e) Continuity in membership would be secured through a three-year period of service of the executive body members.

The executive bodies would work on the basis of the principle of consensus. In cases of disagreement, decisions could e.g. be taken by "double majority" i.e. majority among the recipient constituency and majority among the donor constituency.

3. A NEW FINANCIAL SYSTEM

3.1. Weakness in the present financial system

Erratic growth in funding levels

Full use of the capacity, development experience and knowledge of a reformed United Nations development system can be achieved only if increasing and predictable financing is ensured on a broader fund-sharing basis than is the case today.

The pattern of financing of various parts of the United Nations system do not correspond to any clear principles. A myriad of special-purpose contributions, trust funds and other extrabudgetary arrangements have made it increasingly difficult for both donors and recipients to identify where priorities and decisions are made and thus guide and control activities.

With close to 120 trust funds in the United Nations and similar total numbers in the agencies, there has been a considerable proliferation of funding mechanisms with a corresponding erosion of accountability, transparency and priorities. The funds are mostly outside the decision-making powers of the governing bodies.

From the perspective of funding levels, the picture is one of initially promising growth in the 1970s, through decline in the early 1980s, to modest growth over the past few years. This general trend covers important differences between different parts of the system.

The above picture is explained by several factors: currency fluctuations, recession in the early 1980s, changing priorities etc. However, the funding mechanisms, as such, have played a key role in shaping patterns with negative features, such as unpredictability, instability and unsatisfactory funding levels.

Lack of relations between programme objectives and available resources

The funding mechanisms of the United Nations funds and programmes have an ad hoc and short-term character. It was not until the mid-1970s that steps were taken to attempt to bring some minimum measure of order and commitment into what can yet only be described as a rudimentary set of funding mechanisms.

The funding of most United Nations development programmes also depends on a small group of donors. In the case of UNDP, 10 donors provide around 80 per cent of the contributions. The trend in the 1970s and 1980s towards an increasingly uneven sharing of the burden among donors gives cause for considerable concern. This situation is untenable in the long run.

A main drawback of voluntary funding mechanisms is the uncertainties and incoherence they imply in terms of resource levels and the discrepancy between the short term for which pledges are made and the longer term necessary for meaningful planning and administration of technical cooperation programmes.

3.2. A new financial system

A broader funding base

The present funding mechanisms with voluntary contributions to the United Nations do not suffice. In order to increase funding - or to prevent a decline - a new approach must be adopted. It is recognized that a transitional period may be required before a new financial system could come into place.

Appropriate United Nations programmes, which have hitherto exclusively relied on voluntary funding should be provided with a broader funding base combining three sources.

One source of funding would be assessed contributions from all Member States, raising the funding to an amount of maybe about 10 per cent of the total budgets or covering a substantial part of the administrative budget. This "membership fee" would entail the sharing of responsibility between Members.

Assessed contributions should be constructed along a scale of assessment, adjusted to the regular United Nations scale and with due regard to the principle of ability to pay.

The second source would be negotiated pledges, which should raise the bulk of the necessary resources. The objective is to foster a meaningful discussion of medium-term programme activities and their relation to the available resources in one single context as well as a negotiation of the sharing of the burden among donors.

A third source would be voluntary contributions, as at present. This would provide flexibility for Governments to continue to reflect their preferences for various parts of the system through their fundings. This would provide as well for the possibility of receiving contributions from other potential donors. Each organization has its own constituency, and by appealing separately to them can strengthen its case. Weakening the link to constituencies contains the risk of leading to an overall decrease in the funding capabilities of the system. At the same time there is a need to streamline the overall financing windows for operational activities by reducing the number of trust funds.

In the same way there is a need to bring extrabudgetary financing of the operational agencies under the guidance of the governing bodies.

A situation could possibly be envisaged where there is for example a high negotiated share (50-70 per cent), a low assessed share (10 per cent) and a moderate reliance on the voluntary share (20-40 per cent).

It is unlikely to expect that contributions on a purely voluntary basis would be increased, or even maintained, without reforms in the governance system and improved efficiency of the organization. A link exists between governance and financing.

Addendum

THE REFORM PROCESS AND THE NORDIC PROPOSALS

Where are we now?

The final report of the Nordic United Nations project was presented to all the States Members of the United Nations as well as to the Secretary-General in New York in May 1991. It was subsequently presented in the respective capitals through the diplomatic missions of the Nordic countries. At many different meetings and in various international organizations the opportunity was seized to make presentations of the report and its background. So far, around 25,000 copies of the final report have been distributed to interested countries and individuals.

As a next step the Nordic countries introduced their reform proposals at the General Assembly on 31 October 1991 (document A/C.2/46/7). A decision was consequently taken where the Secretary-General was requested to present an analytical report on reform issues, including the Nordic United Nations project proposals, to the substantive session of the Economic and Social Council in July 1992.

The high-level segment of the Council will inter alia discuss the reform issues under the theme of "Enhancing international cooperation for development: the role of the United Nations system".

It should also be mentioned that reform of the United Nations handling of emergencies was an integral part of the final report of the Nordic project one year ago: member nations decided to act on this issue last year in the Council and the General Assembly. Decisions were taken in December 1991 to create better coordination. A new post of Under-Secretary-General for this purpose was introduced in the beginning of the current year.

The final report of the Nordic United Nations project also dealt with reform of the United Nations Secretariat, an issue which the new Secretary-General acted swiftly upon in February of this year.

The present work is therefore concentrated on the following three issues: mandates and roles of various entities in the United Nations governance and financing structures of the operational activities of the United Nations proper.

However, there seems to be a generally held view that the reform of the operational activities of the United Nations would be incomplete if it did not encompass also the specialized agencies, which were included in the background studies of the Nordic United Nations project. Thus, it is to be expected that reform proposals concerning the specialized agencies will be formulated at a later stage.

The future process

It is expected that the discussions at the high-level segments of the Council's agenda this summer will further demonstrate the need for reform and promote the basic ideas as developed in the Nordic memorandum and in the final report of the Nordic United Nations project. In line with the new procedures introduced to the Council in 1991, it is further expected that the Chairman will make a summary of discussions and conclusions, which will then form guidelines for the discussions and decisions to be taken in the General Assembly.

Consultations will be required to develop and implement an agreed formula for new governance structures and new ways of financing operational activities. This formula will involve responsibilities and changes, both with regard to the United Nations Secretariat and the various funds and programmes. The application should follow the principles and guidelines as decided but with some flexibility according to what is deemed as most suitable in different forums.

Considering the complexity of the issues underlying the proposed new principles and guidelines, member countries may want to consider the format of the deliberations in the Assembly. Member countries may want to promote a

more active participation from the capitals than is usually the case, given the special character of reforms to be considered.

This last point may be further underscored by the fact that both the Council and the Assembly in 1992 are expected to deal with the outcome of the United Nations Conference on Environment and Development, including the institutional consequences in the United Nations. At the time of writing, the institutional consequences resulting from these deliberations are still open.